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SUBJECT: CHILE'S SOUTH IS SALMON COUNTRY

¶1. Summary: Ambassador and Foreign Agricultural Service Attach visited Chile's salmon industry from June 5-8. Salmon and trout production are the main components of Chile's second-largest (after copper) export industry. Fish exports are valued at over \$2.2 billion annually, representing nearly 4 percent of Chile's total exports. The industry has come under increasing pressure due to lax environmental regulation. The Bachelet administration acknowledged significant problems by ordering the Minister of Economy to increase oversight and regulation. End Summary.

¶2. The Ambassador visited Chile's tenth region, accompanied by the Foreign Agricultural Service Attach (FAS), from June 5-8 mainly to take stock of Chile's all important salmon sector. The salmon sector has come under increasing pressure in recent months from the international media, environmentalists and the spread of a virus deadly to the fish themselves. The industry is overwhelmingly located in and around Chile's main southern port of Puerto Montt. This geographic concentration is seen as one of the key components of the sector's explosive growth as well as current problems. Second only to copper in terms of dollar value of Chilean exports, salmon exports were USD 2.2 billion in 2007 (one third of which went to the U.S.). The industry is also a key employer, with 53,000 direct employees and up to 100,000 jobs indirectly linked to it.

¶3. The Ambassador met with General Manager Rodrigo Infante of Salmon Chile, an industry association representing nearly 80 percent of salmon companies operating in Chile. Chile primarily produces Pacific and Atlantic salmon. Pacific salmon is exported to the Japanese market, and Atlantic salmon to the United States. The industry says it welcomes further cooperation with food inspection agencies in the United States (the Food and Drug Administration) and in Chile (the Servicio Nacional de Pesca or SERNAPESCA). On paper, Chile has a relatively sophisticated system for monitoring aquaculture. Growing conditions and production inputs are carefully documented, and the industry has a sophisticated system for tracing every fish from the hatchery to the store where it is bought. Nonetheless, the picture is not entirely rosy.

¶4. Infante of Salmon Chile told the Ambassador that with the ongoing outbreak of Infectious Salmon Anemia (ISA), the industry is likely to reduce its production. Infante also mentioned the New York Times article of March 2008, which criticized the use of antibiotics and generally portrayed Chile's industry as unregulated and unhealthy. In response, he pointed out that Chilean salmon is consumed daily by more than 6 million people worldwide in some 60 international markets. Despite these impressive figures, everyone from President Bachelet on down has acknowledged that the industry's success has also brought problems. In the wake of the negative publicity beginning with the New York Times article, she appointed a panel lead by Minister of Economy Lavados to increase regulation and oversight.

¶5. The Ambassador and FAS attach also visited Multiexport Foods lake operation in Lake Llanquihue. This site produces over 12 million juvenile salmon per year for later transport to ocean farms. According to industry officials, aquaculture poses a limited environmental impact, which is localized and fully reversible through natural processes. However, local contacts tell the Embassy that other trout species have disappeared since the salmon and trout farming activity started.

¶6. Comment: Although the Salmon industry as done extremely well

over the last ten years, with double digit growth rates the norm, this very success is coming back to bite it. It is having trouble maintaining the outbreak of diseases and minimizing its environmental impact. The industry has simply been unregulated too long, in addition to being too concentrated geographically. The Bachelet administration is trying to increase oversight and move the sector to a more sustainable path. In addition to the visit to Puerto Montt, the Ambassador has met with salmon industry representatives in Santiago. The Embassy will continue to monitor the health of the sector and the possible implications for the health of the U.S. consumer.

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